

Message Text

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PAGE 01 LA PAZ 04043 252139Z
ACTION ARA-10

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E.O. 11652: N/A
TAGS: BENC, ENRG, BL
SUBJ: MAJOR PROJECT: BOLIVIAN PETROCHEMICALS

REF: (A) STATE 100551 (B) LA PAZ A-16

1. YPFB HAS SOMEWHAT CHANGED ITS STRATEGY FOR CREATING PETROCHEMICAL INDUSTRY BASED ON FINAL REPORT OF STANFORD RESEARCH INSTITUTE (SRI). OPTIONS D AND E ARE MOST LIKELY TO BE FOLLOWED. OPTION D IS MORE MODEST AND COMPRIESES THE FOLLOWING PLANTS; OLEFINES, STYRENE, PHENOL, HIGH DENSITY POLYETHYLENE AT A COST OF ABOUT \$250 MILLION. PLAN E ADDS POLYPROPYLENE AND LOW DENSITY POLYETHYLENE FOR A TOTAL ESTIMATED COST OF \$430 MILLION. YPFB WILL GO AHEAD WITH AN AROMATICS PLANT IN COCHABAMBA NEXT TO THE NEW PETROLEUM REFINERY AND USE REFORMED NAFTA AS FEED. THIS IS A SMALLER INVESTMENT AND CAN BE COMPLETED IN CONJUNCTION WITH THE BIGGER PROJECTS, OR BEFOREHAND WITH THE INTENTION OF EXPORTING BENZENE TEMPORARILY. OLEFINES PLANT WHICH IS BASIC AND REPRESENTS LARGE INVESTMENT WOULD PROBABLY TAKE 4 YEARS TO COMPLETE AND INVITATIONS TO BID MAY BE DONE IN MID OR LATE 1978. OTHER PLANTS, DEPENDING ON STRATEGY CHOSEN, WILL CLOSELY FOLLOW THIS FIRST PLANT. THE POLYVINYL CHLORIDE PLANT IS A SMALLER PROJECT, INDEPENDENT OF THE ABOVE PETROCHEMICAL COMPLEX. IT IS UNDER STUDY AND A DECISION TO GO AHEAD COULD BE MADE ANYTIME. PVC IS THE PETROCHEMICAL WITH THE LARGEST LOCAL CONSUMPTION.

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2. NEW STATE PETROCHEMICAL COMPANY EPB IS NOW BEFORE CONEPLAN AND IS EXPECTED TO BE APPROVED WEEK OF MAY 22. ONCE APPROVED EPB MUST THEN BE FORMED AS A COMPANY I.E. WHAT DIVISION WILL BE MADE OF SHARES AMONG OTHER STATE COMPANIES, ARTICLES OF INCORPORATION ETC. THIS WILL PROBABLY BE COMPLETED IN SEPTEMBER. A PROJECT MANAGER WILL PROBABLY BE CHOSEN NEXT YEAR. HOWEVER,

DECISION HAS NOW BEEN MADE TO CONTRACT WITH A FOREIGN FIRM TO ASSIST EPB WITH SUPERVISION OF WORK BEING DONE BY OTHER CONTRACTORS FOR STUDIES, DESIGN, CONSTRUCTION.

3. YPFB HAS DRAWN UP A SHORT LIST OF FIRMS WHO WILL BE INVITED TO BID ON THE PREINVESTMENT STUDY (SEE A-16). LIST WILL INCLUDE 7 TO 10 COMPANIES INCLUDING FOUR U.S. FIRMS AND ONE BRITISH, FRENCH, W. GERMAN AND JAPANESES'. STUDY IS ESTIMATED TO TAKE ABOUT 6 TO 8 MONTHS. FINANCING FOR THE STUDY WILL BE YPFB-\$200,000 AND ANDEAN DEVELOPMENT CORPORATION (CAF) - \$400,000. CAF IS EXPECTED TO APPROVE THE LOAN REQUEST BY END OF MAY. YPFB SAYS TERMS FOR BID ARE READY.

4. SANTA CRUZ FERTILIZER PROJECT IS MOVING AHEAD. IN FIRST WEEK OF MAY, YPFB SENT SPECIFICATIONS TO SEVEN FIRMS, AT LEAST TWO ARE U.S. , THREE JAPANESE, AND TWO EUROPEAN. FIRMS HAVE 90 DAYS TO SUBMIT THEIR BID. EMBASSY BELIEVES U.S. FIRMS ARE FLOUR AND FOSTER WHEELER. COMPETITIVE POSITION OF U.S. FIRMS APPEARS TO BE GOOD.

5. YPFB PREVIOUSLY WAS CONSIDERING JOINT VENTURE PARTICIPATION WITH FOREIGN FIRMS FOR ALL PETROCHEMICAL PLANTS EXCEPT THE OLEFINS PLANT. NOW YPFB IS ALSO WILLING TO CONSIDER A PROPOSAL FOR A JOINT VENTURE IN OLEFINS AS WELL. FINANCING FOR THESE PROJECTS WILL BE PRIMARILY EXTERNAL. EMBASSY IS UNAWARE OF ANY SPECIAL INTEREST OF FOREIGN FIRMS.

6. N-REN WHICH IS A COMPANY MEMBER OF THE OPIC ORGANIZED INVESTMENT MISSION NOW IN LA PAZ HAS MADE A PROPOSAL
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TO YPFB WHICH INCLUDES EQUITY PARTICIPATION AND FORMATION OF A SALES COMPANY IN RELATION TO FERTILIZER PROJECT PARA 4. THIS HAS AROUSED INTEREST OF YPFB AND THEY WILL NEGOTIATE WITH N-REN WHILE THE BIDS ARE BEING PREPARED BY THE PARTICIPANTS IN THE LICITATION. IT IS PROBABLE THAT N-REN'S PROPOSAL WILL IN THE END BE MORE ATTRACTIVE TO YPFB IF DETAILS ARE WORKED OUT IN TIME. HOWEVER USDOC SHOULD NOT DISSEMINATE ABOVE INFO TO FLOUR OR FOSTER-WHEELER AT THIS TIME. KEY CONTACTS FOR PETROCHEMICAL PROJECTS ARE: DIRECTOR, JORGE ARAMAYO, DIVISION DE PETROQUIMICA, YPFB, CASILLA #401 EDIFICIO LITORAL PISO 14, LA PAZ, TELEX BX 5267, AND MARIO BALCAZAR, DIRECTOR DE HIDROCARBUROS, MINISTERIO DE ENERGIA, AV. MARISCAL SANTA CRUZ ESQ. A. GRAU, LA PAZ. STEDMAN

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